

Tennessee Education Lottery **Revenue Estimates** **(Fiscal Years 2007-08 and 2008-09)**

Presented to: The State Funding Board
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Presentation Outline

- **Historical Perspective**

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- **FY07-08 Estimates from December 2007**
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- **FY07-08 Revised Estimates**

- **FY08-09 Assumptions from December 2007**
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- **FY08-09 Revised Estimates**

- **Trends**

Historical Perspective

	<u>FY05-06</u>	<u>FY06-07</u>
<i>Instant Games (Net)</i>	\$627,952,797	\$697,651,334
<i>Cash 3</i>	\$61,418,716	\$66,292,208
<i>Cash 4</i>	\$25,530,339	\$25,295,896
<i>Powerball</i>	\$190,947,513	\$156,853,373
<i>Lotto 5 (Pick 5)</i>	\$22,155,487	\$27,821,355
<i>HotTrax Champions</i>	\$0	\$2,744,437
<i>Million Dollar Madness</i>	\$0	\$7,999,930
<i>Miscellaneous</i>	\$5,434,199	\$6,365,493
Total Net Revenue	\$933,439,051	\$991,024,026
Total Expenses	\$663,576,776	\$719,055,535
Net Lottery Proceeds	<u>\$269,862,275</u>	<u>\$271,968,491</u>
<i>After-School Proceeds</i>	\$7,392,700	\$10,436,394
Total State Proceeds	<u>\$277,254,975</u>	<u>\$282,404,885</u>

FY07-08

FY07-08 Assumptions (December 2007)

- No matrix change for Powerball or Pick 5 for the remainder of FY07-08.
- Drawing frequencies will remain unchanged for Powerball, Pick 5, Cash 3, and Cash 4 for the remainder of FY07-08.
- Prize payout ratio for instant games remain at approx. 65% of sales.
- One new online game will be introduced during FY07-08...(Lotto Plus)...tentative launch date is mid-to-late Feb. 2008.
- Million Dollar Madness 2.0 will be as successful as MDM 1.0.
- No other new games will be introduced during FY07-08 (excluding any new instant games).
- Total Expenses are estimated to be 73.0% of total net revenues.
- Net Lottery Proceeds are estimated to be 27.0% of total net revenues.

RANGE ESTIMATES FOR FY07-08 (as of 12/12/2007)

Revenue Source	Low	Median	High
Instant Games (Net)	\$709,700,000	\$721,000,000	\$732,300,000
Cash 3 & Cash 4	\$89,200,000	\$90,400,000	\$91,600,000
Pick 5	\$24,700,000	\$25,300,000	\$25,800,000
Lotto Plus	\$8,500,000	\$9,600,000	\$10,700,000
Powerball	\$159,400,000	\$169,900,000	\$180,300,000
Hottrax Champions	\$2,400,000	\$2,500,000	\$2,700,000
Million Dollar Madness 2.0	\$4,000,000	\$8,000,000	\$8,000,000
Misc. Revenue	\$6,000,000	\$7,000,000	\$8,000,000
Total Net Revenue	\$1,003,900,000	\$1,033,700,000	\$1,059,400,000
Total Expenses (73.0%)	\$732,850,000	\$754,600,000	\$773,360,000
NET LOTTERY PROCEEDS (27.0%)	\$271,050,000	<u>\$279,100,000</u>	\$286,040,000
After-School Programs	\$11,000,000	\$12,000,000	\$13,000,000
TOTAL STATE PROCEEDS	\$282,050,000	<u>\$291,100,000</u>	\$299,040,000

FY07-08 Revised Assumptions

- No matrix change for Powerball or Pick 5 for the remainder of FY07-08.
- Drawing frequencies will remain unchanged for Powerball, Pick 5, Lotto Plus, Cash 3, Cash 4 for the remainder of FY07-08.
- Prize payout ratio for instant games remain at approx. 65% of sales.
- *The first of sales for Lotto Plus was March 11, 2008 (a couple of weeks later than originally anticipated in December).*
- *Gross sales for Million Dollar Madness 2.0 was approximately 48% of sales for MDM 1.0.*
- No other new games will be introduced during the remainder of FY07-08 (excluding any new instant games).
- *Total Expenses revised from 73.0 % of total net revenue to 72.9% of total net revenue.*
- *Net Lottery Proceeds revised from 27.0% of total net revenue to 27.1% of total net revenues.*

RANGE ESTIMATES FOR FY07-08 (as of 04/29/2008)

Revenue Source	Low	Median	High
Instant Games (Net)	\$715,703,000	\$720,261,000	\$724,819,000
Cash 3 & Cash 4	\$82,360,000	\$82,566,000	\$82,772,000
Pick 5	\$24,206,000	\$24,479,000	\$24,752,000
Lotto Plus	\$7,550,000	\$8,218,000	\$8,887,000
Powerball	\$152,891,000	\$156,426,000	\$159,961,000
Hottrax Champions	\$2,275,000	\$2,311,000	\$2,347,000
Million Dollar Madness 2.0	\$3,842,000	\$3,842,000	\$3,842,000
Misc. Revenue	\$6,000,000	\$6,500,000	\$7,000,000
Total Net Revenue	\$994,827,000	\$1,004,603,000	\$1,014,380,000
Total Expenses (72.9%)	\$725,230,000	\$732,360,000	\$739,480,000
NET LOTTERY PROCEEDS (27.1%)	\$269,597,000	<u>\$272,243,000</u>	\$274,900,000
After-School Programs	\$9,000,000	\$9,500,000	\$10,000,000
TOTAL STATE PROCEEDS	\$278,597,000	<u>\$281,743,000</u>	\$284,900,000

Change of FY07-08 mean estimates since December 2007

Revenue Source	Dec-07	Apr-08	Difference
Instant Games (Net)	\$721,000,000	\$720,261,000	-\$739,000
Cash 3 & Cash 4	\$90,400,000	\$82,566,000	-\$7,834,000
Pick 5	\$25,300,000	\$24,479,000	-\$821,000
Lotto Plus	\$9,600,000	\$8,218,000	-\$1,382,000
Powerball	\$169,900,000	\$156,426,000	-\$13,474,000
Hottrax Champions	\$2,500,000	\$2,311,000	-\$189,000
Million Dollar Madness 2.0	\$8,000,000	\$3,842,000	-\$4,158,000
Misc. Revenue	\$7,000,000	\$6,500,000	-\$500,000
Total Net Revenue	\$1,033,700,000	\$1,004,603,000	-\$29,097,000
Total Expenses	\$754,600,000	\$732,360,000	-\$22,240,000
NET LOTTERY PROCEEDS	\$279,100,000	\$272,243,000	<u>-\$6,857,000</u>
After-School Programs	\$12,000,000	\$9,500,000	-\$2,500,000
TOTAL STATE PROCEEDS	\$291,100,000	\$281,743,000	<u>-\$9,357,000</u>

FY08-09

FY08-09 Assumptions (December 2007)

- No matrix changes for Powerball, Pick 5, or Lotto Plus during FY08-09.
- Drawing frequencies will remain unchanged for Powerball, Pick 5, Lotto Plus, Cash 3, and Cash 4 during FY08-09.
- Million Dollar Madness 3.0 (or a similar raffle-type of game) will be as successful as MDM 1.0 and MDM 2.0.
- No other new game introductions will occur during FY08-09 (excluding new instant games).
- Prize payout ratio for instant games remain relatively constant.
- 2.75% growth in instant games.
- 0.25% growth in Cash 3 & Cash 4.
- Sales for HotTrax Champions will remain relatively flat.
- Sales for Powerball & Pick 5 are estimated at FY07-08 levels.
- Total Expenses are estimated to be 73.25% of total net revenues.
- Net Lottery Proceeds are estimated to be 26.75% of total net revenues.

RANGE ESTIMATES FOR FY08-09 (as of 12/12/2007)

Revenue Source	Low	Median	High
Instant Games (Net)	\$729,200,000	\$740,800,000	\$752,400,000
Cash 3 & Cash 4	\$89,400,000	\$90,600,000	\$91,800,000
Lotto 5	\$24,700,000	\$25,300,000	\$25,800,000
Lotto Plus	\$15,000,000	\$20,000,000	\$25,000,000
Powerball	\$159,400,000	\$169,900,000	\$180,300,000
Hottrax Champions	\$2,400,000	\$2,500,000	\$2,700,000
Million Dollar Madness 3.0	\$4,000,000	\$8,000,000	\$8,000,000
Misc. Revenue	\$6,000,000	\$7,000,000	\$8,000,000
Total Net Revenue	\$1,030,100,000	\$1,064,100,000	\$1,094,000,000
Total Expenses (73.25%)	\$754,500,000	\$779,500,000	\$801,400,000
NET LOTTERY PROCEEDS (26.75%)	\$275,600,000	<u>\$284,600,000</u>	\$292,600,000
After-School Programs	\$11,000,000	\$12,500,000	\$14,000,000
TOTAL STATE PROCEEDS	\$286,600,000	<u>\$297,100,000</u>	\$306,600,000

FY08-09 Revised Assumptions

- No matrix changes for Powerball, Pick 5, or Lotto Plus during FY08-09.
- Drawing frequencies will remain unchanged for Powerball, Pick 5, Lotto Plus, Cash 3, and Cash 4 during FY08-09.
- *Million Dollar Madness sales revised from \$8,000,000 to \$0.*
- No other new games will be introduced during FY08-09 (excluding new instant games).
- Prize payout ratio for instant games remain relatively constant.
- *Instant game growth revised from 2.75% to 1.75%.*
- *Cash 3 & Cash 4 growth revised from 0.25% to negative growth of 1.0%.*
- *HotTrax growth revised from 0% to negative growth of 12.0%.*
- Sales for Pick 5 are estimated at FY07-08 levels.
- *Powerball growth revised from 0% to 0.5%.*
- Total Expenses are estimated to be 73.25% of total net revenues.
- Net Lottery Proceeds are estimated to be 26.75% of total net revenues.

RANGE ESTIMATES FOR FY08-09 (as of 4/29/2008)

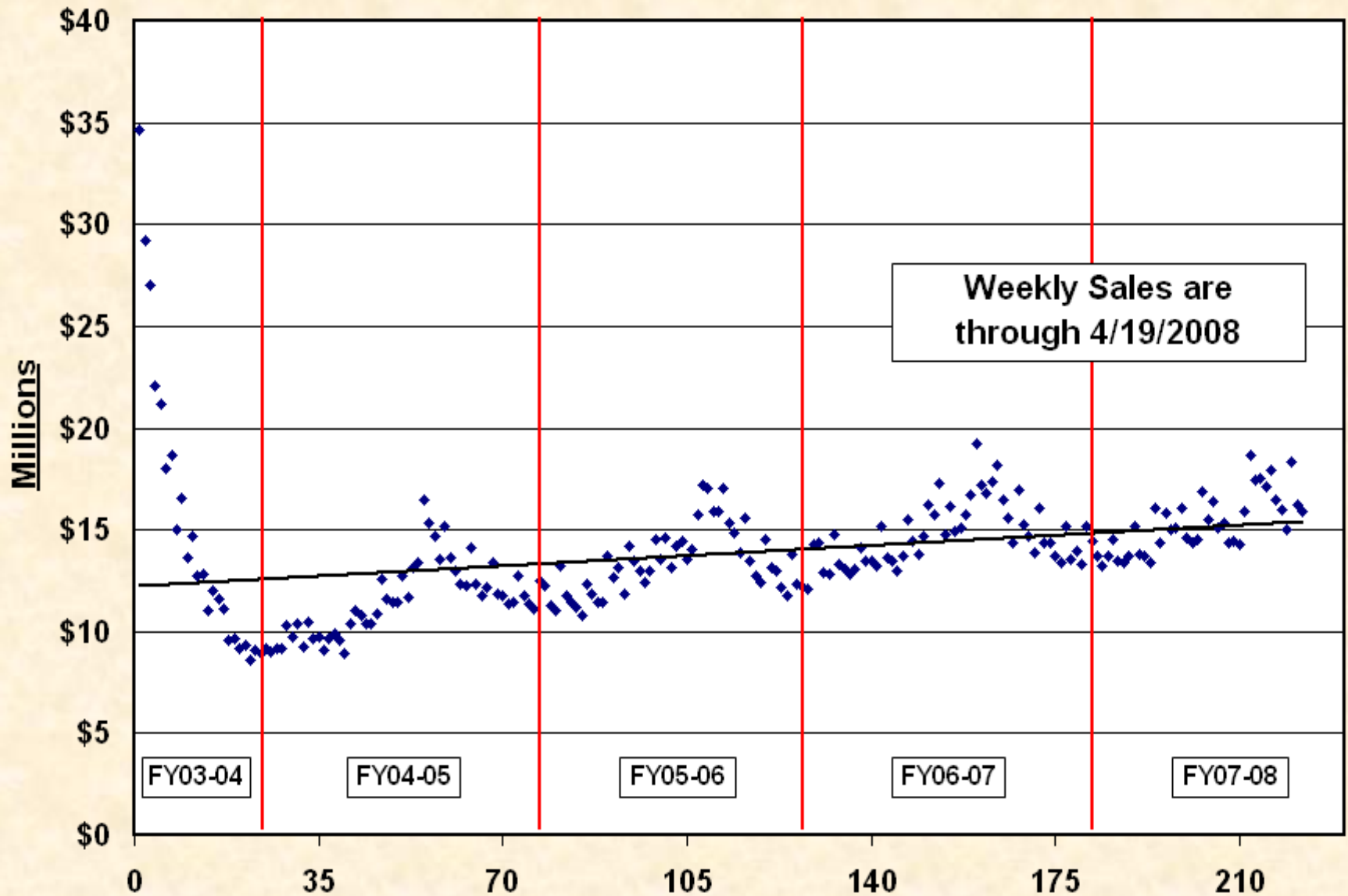
Revenue Source	Low	Median	High
Instant Games (Net)	\$728,228,000	\$732,866,000	\$737,503,000
Cash 3 & Cash 4	\$81,536,000	\$81,740,000	\$81,944,000
Pick 5	\$24,206,000	\$24,479,000	\$24,752,000
Lotto Plus	\$20,800,000	\$23,400,000	\$26,000,000
Powerball	\$153,655,000	\$157,208,000	\$160,761,000
Hottrax Champions	\$1,872,000	\$2,028,000	\$2,184,000
Million Dollar Madness 3.0	\$0	\$0	\$0
Misc. Revenue	\$6,000,000	\$6,500,000	\$7,000,000
Total Net Revenue	\$1,016,297,000	\$1,028,221,000	\$1,040,144,000
Total Expenses (73.25%)	\$744,400,000	\$753,200,000	\$761,900,000
NET LOTTERY PROCEEDS (26.75%)	\$271,897,000	<u>\$275,021,000</u>	\$278,244,000
After-School Programs	\$9,000,000	\$9,500,000	\$10,000,000
TOTAL STATE PROCEEDS	\$280,897,000	<u>\$284,521,000</u>	\$288,244,000

Change of FY08-09 mean estimates since December 2007

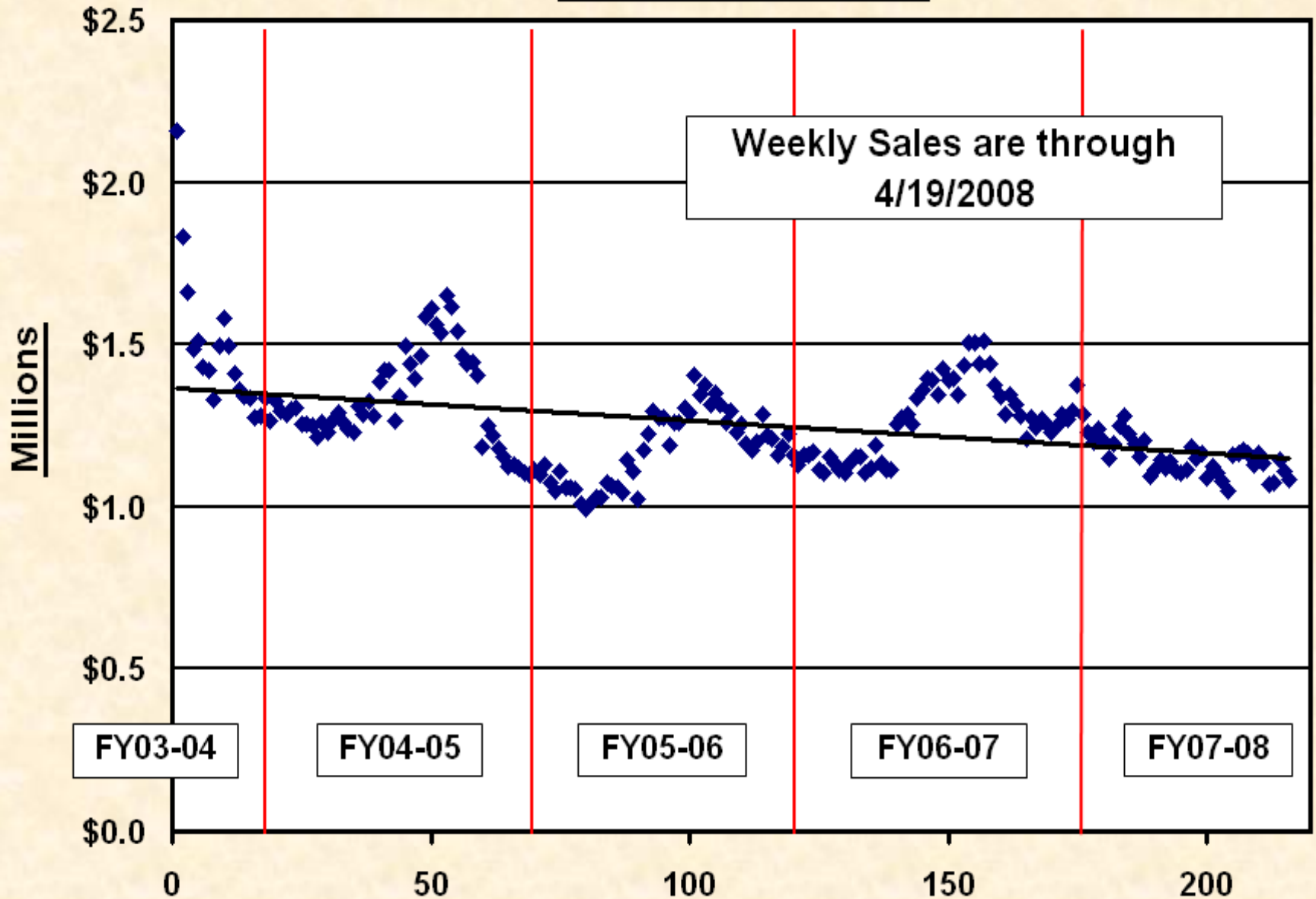
Revenue Source	Dec-07	Apr-08	Difference
Instant Games (Net)	\$740,800,000	\$732,866,000	-\$7,934,000
Cash 3 & Cash 4	\$90,600,000	\$81,740,000	-\$8,860,000
Pick 5	\$25,300,000	\$24,479,000	-\$821,000
Lotto Plus	\$20,000,000	\$23,400,000	\$3,400,000
Powerball	\$169,900,000	\$157,208,000	-\$12,692,000
Hottrax Champions	\$2,500,000	\$2,028,000	-\$472,000
Million Dollar Madness 2.0	\$8,000,000	\$0	-\$8,000,000
Misc. Revenue	\$7,000,000	\$6,500,000	-\$500,000
Total Net Revenue	\$1,064,100,000	\$1,028,221,000	-\$35,879,000
Total Expenses	\$779,500,000	\$753,200,000	-\$26,300,000
NET LOTTERY PROCEEDS	\$284,600,000	\$275,021,000	<u>-\$9,579,000</u>
After-School Programs	\$12,500,000	\$9,500,000	-\$3,000,000
TOTAL STATE PROCEEDS	\$297,100,000	\$284,521,000	<u>-\$12,579,000</u>

Trends

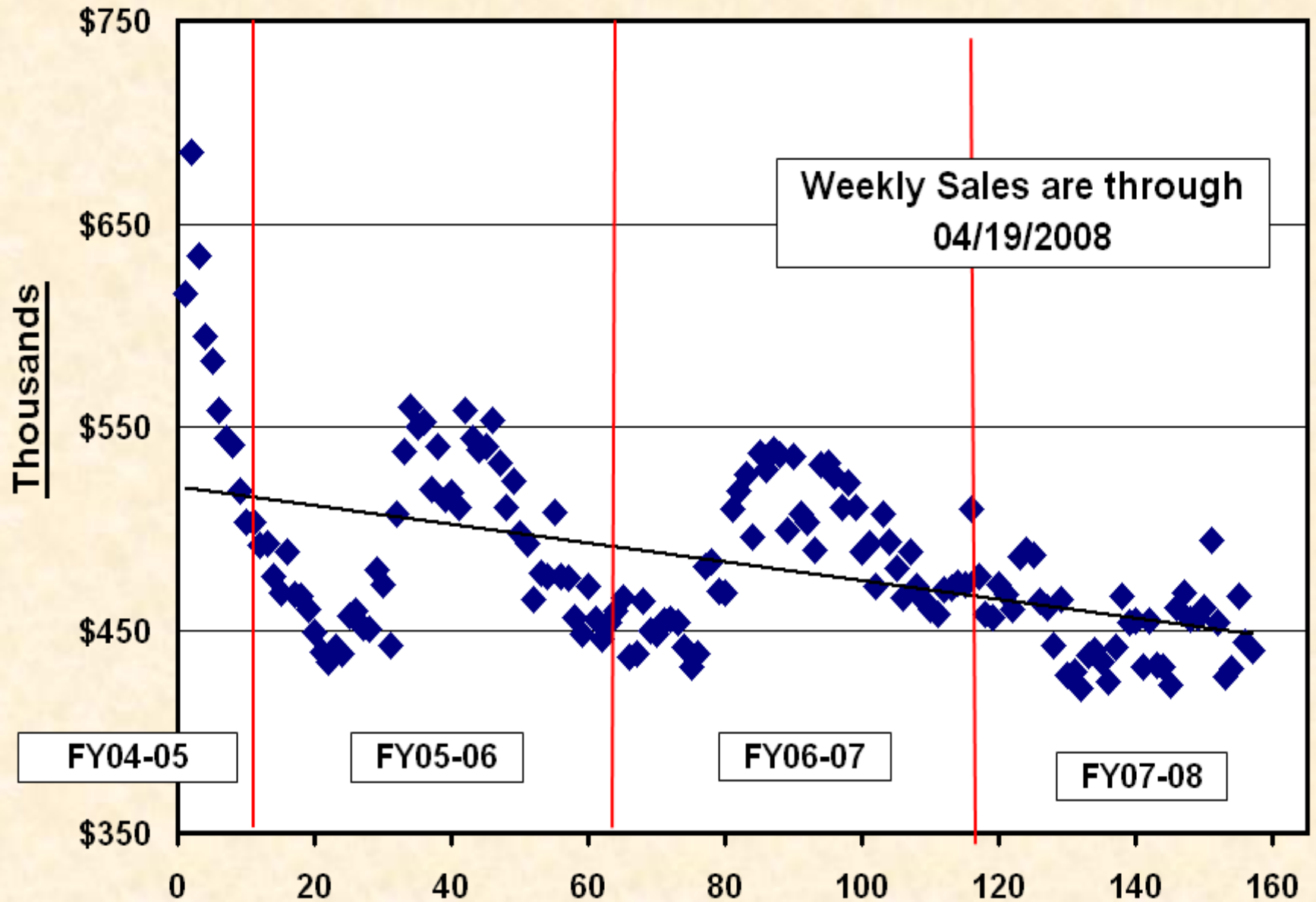
Weekly Instant Game Sales (Gross)



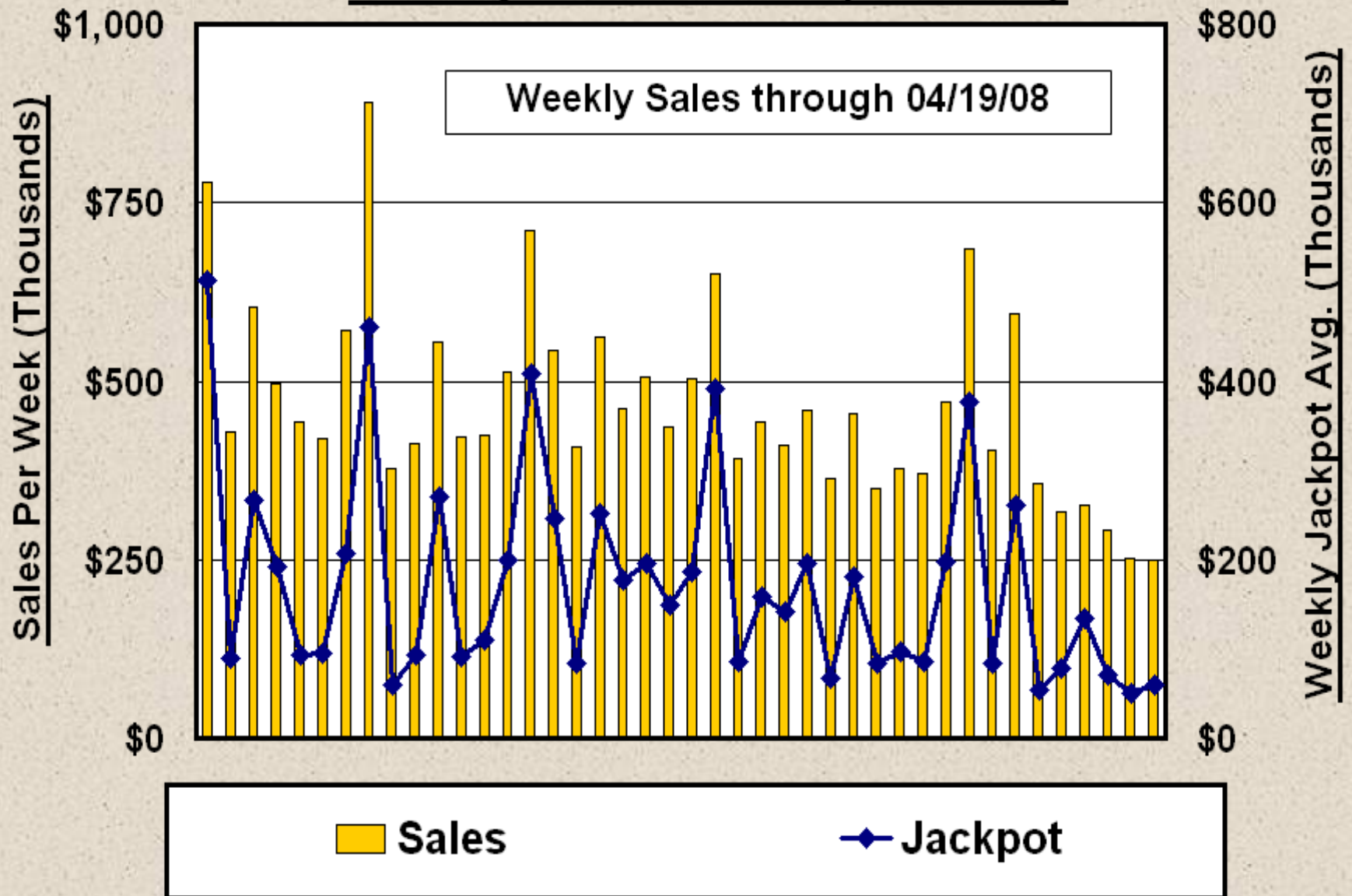
Weekly CASH 3 Sales



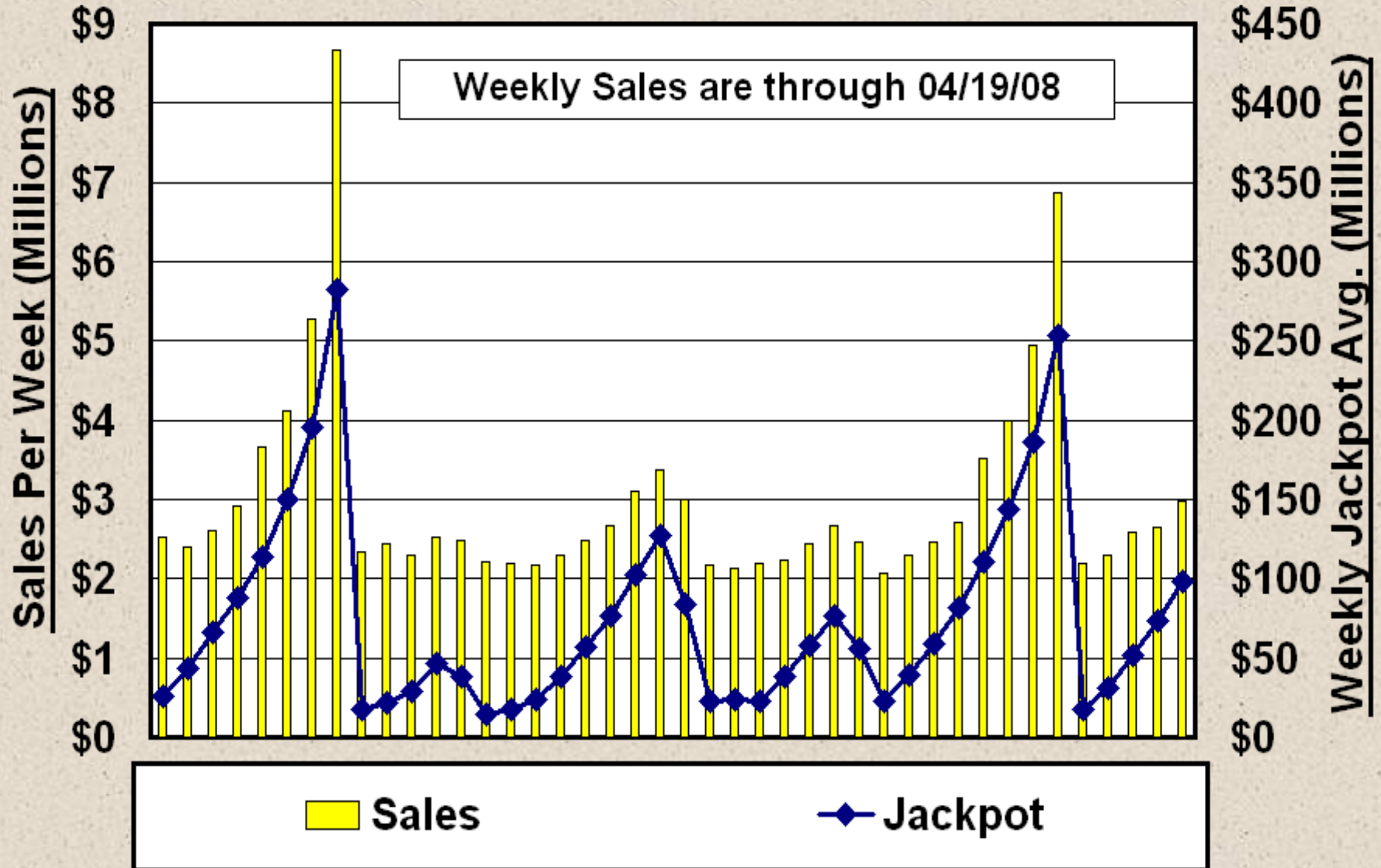
Weekly CASH 4 Sales



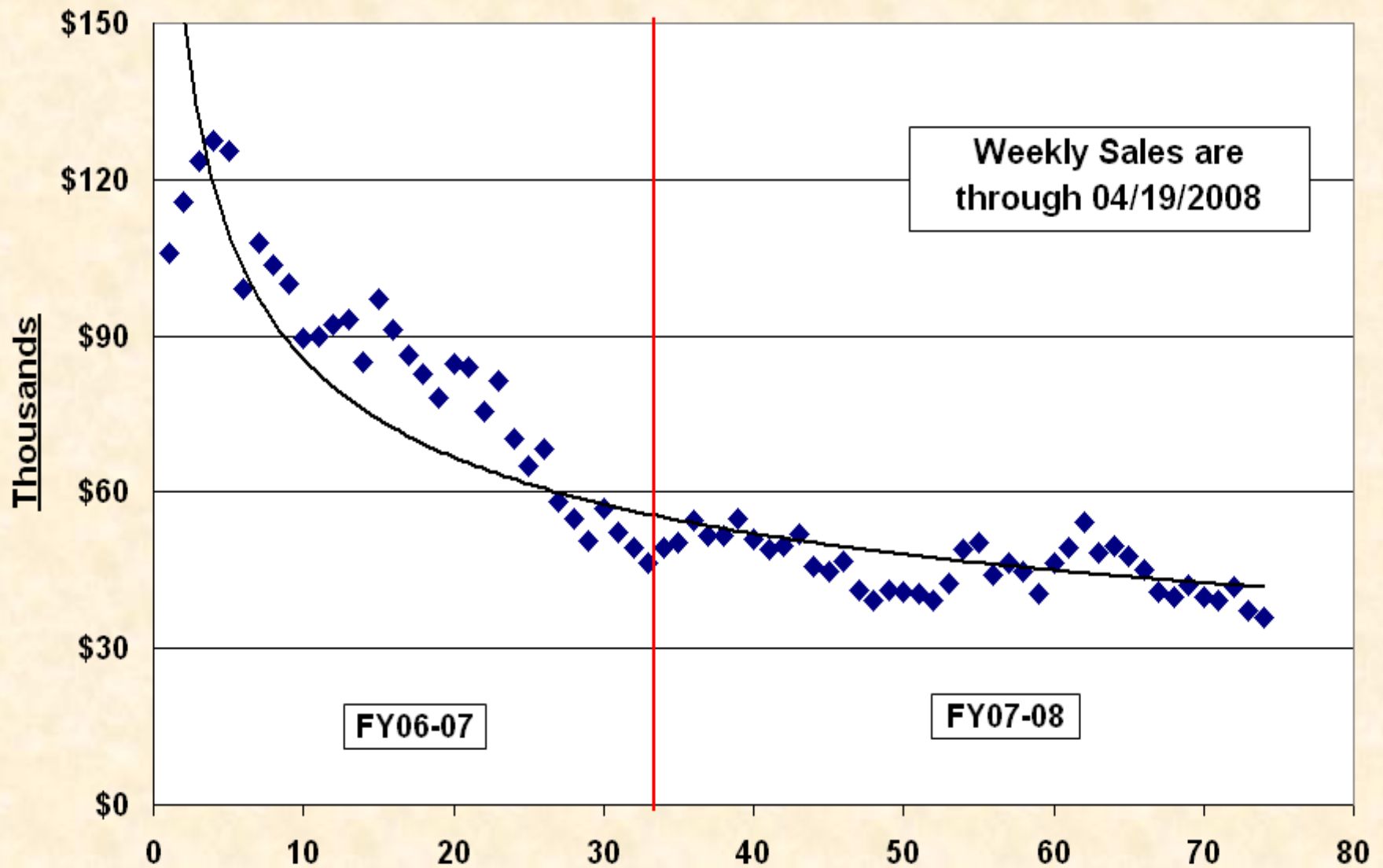
Weekly PICK 5 Sales(FY07-08)



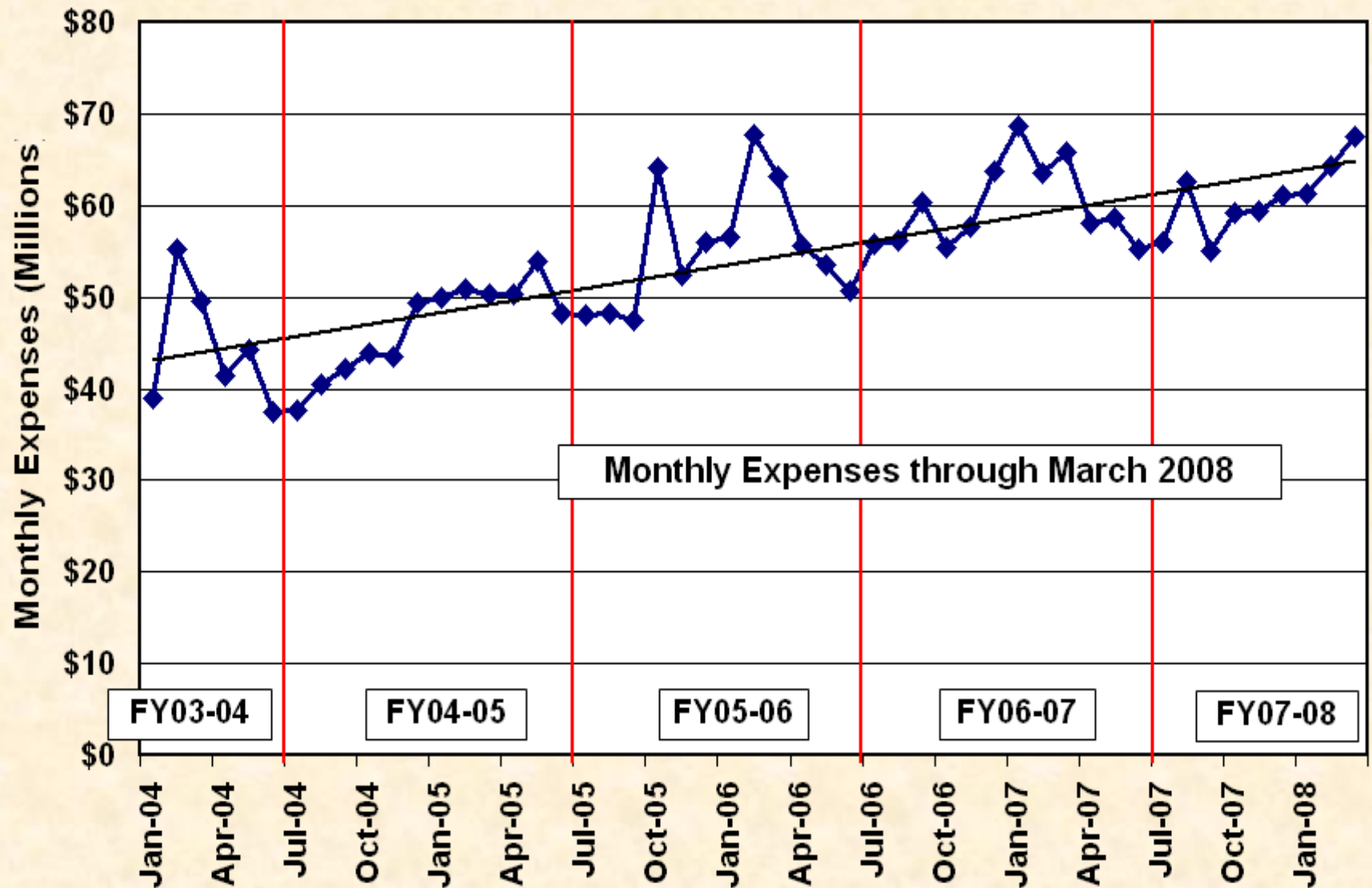
Weekly POWERBALL Sales (FY07-08)



Weekly HotTrax Champions Sales



Monthly Expenses



Monthly Net Lottery Proceeds

